

PP14767/09/2012(030761)

Dayang Enterprise Holdings Bhd

“Dayang Propose to Takeover Perdana”

Market Access

Dayang Enterprise Holdings Bhd (Dayang) has triggered a 33% mandatory general offer (MGO) threshold on Perdana Petroleum (Perdana) after acquiring 5.74% stake in Perdana from Affin Hwang Management Bhd (AHM) which brings its shareholding up to 35.51%. Based on MGO’s offer price of RM1.55 per share (equivalent to Perdana’s FY15 PER of 13.03x, essentially below against its last 3 years average of 17.11x), Dayang is valuing Perdana at RM1.16 billion where Dayang needs to acquire the remaining RM748 million for the 64% stake it does not own in Perdana. Dayang is worth at RM2.95 and the stock remains a BUY.

- Propose acquisition and MGO.** Dayang had entered into conditional share sale agreement (SSA) with AHM to acquire 5.74% stake (42.96 million shares) in Perdana for a total cash consideration of RM66.6 million or RM1.55 per Perdana’s share. Upon completion of the proposed acquisition, Dayang’s shareholding in Perdana will be raised to 35.51% from 29.77%.

Therefore, Dayang will be obliged to extend a MGO for all the remaining Perdana shares it does not own for a cash consideration of RM1.55 per Perdana’s share (similar with propose acquisition’s price) and RM0.84 per Perdana’s warrant. Dayang plans to maintain the listing status of Perdana. The proposal will be funded via internally generated funds, borrowings and proceeds from the private placement which was completed in March 2015.

- Salient terms of the SSA.** The obligations of the parties are now conditional upon obtaining approval from Dayang’s members at the extraordinary general meeting (EGM) which will be held three months from the SSA or a date that Dayang and AHM mutually agreed on. After SSA becoming unconditional, Dayang

Wednesday, May 20, 2015

BUY (TP: RM2.95)

Current Price (RM)	RM2.63
New Target Price (RM)	RM2.95
Previous Target Price (RM)	RM2.88
Previous Recommend.	BUY
Upside To Target Price	12%
Dividend Yield (FY16)	4%

Stock Code

Bloomberg	DEHB MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Oil and Gas
Shariah Compliance	Yes
Issued Shares (mn)	877
Market Cap (RM mn)	2,323
YTD Chg In Share Price	-9%
Beta (x)	1.47
52-week Hi/Lo (RM)	3.87 2.12
3M Average Volume (shrs)	1.00mn
Estimated Free Float	25%

Major Shareholders

Naim Holdings	29%
KWAP	9%
Kiong Ling Suk	9%

will proceed with the proposed MGO. The proposal is expect to be completed by the end of 3Q15.

- **Offer price at Premium.** The offer price for the propose acquisition of RM1.55 per share representing a premium of approximately 6.16%, 10.71% and 24% to the five-day, one-month and three month volume weighted average market price of Perdana's shares up until 13th May 2015 of RM1.46, RM1.40 and RM1.25 respectively. Besides, the offer price of RM1.55 per share translates into Perdana's PER and P/BV of 12.97x and 1.74x based on net profit and NTA as at 31 December 2014.
- **Analysis of MGO offer price.** At MGO's offer price of RM1.55 per share, Perdana is valued at RM1.16 billion where Dayang need to acquire the remaining RM748 million for the 64% stake its does not own in Perdana. At offer price of RM1.55, Perdana is valued at forward FY15 PER of 13.03x which is 24% and 15% discount to Perdana's last 3-years and 5-years average of 17.11x and 15.35x respectively. The offer price of RM1.55 is also at 19% discount to Perdana's FY14 share price peak of RM1.91. Hence, we think the existing shareholders of Perdana should reject the unattractive offer price MGO of Dayang and wait for better offer. In any case, we think that Dayang may have a tough time sailing through this MGO process.
- **Net gearing.** Post-MGO exercise, the management gives indication that Dayang's total borrowing may increase to RM1.54 billion from RM153.9 million as at FY14 after including Perdana's borrowing of approximately RM687.4 million as at FY14 and Dayang estimate new borrowing of approximately RM700.0 million for the proposed MGO. Hence, Dayang's net gearing expected to grow to 1.60x from its current 0.16x which a red flag in our view.
- **Rational for the takeover.** We foresee the takeover exercise which would further strengthen Dayang's business expansion especially on the hook-up and commissioning (HUCC) services by leveraging on Perdana's expertise as a marine player with fleet size of 17 vessels (8 Anchor Handling Tug & Supply (AHTS), 7 Work Barge and 2 Work Boat). Furthermore, it would be a decisive point for Dayang in participating for the new tenders. Note that Perdana has contributed approximately 10% to Dayang's FY14 PBT of RM217 million. Nonetheless, we remain upbeat on Dayang's long-term outlook driven by the group's sizeable order book of approximately RM4.0 billion which is expected to last them until FY18.
- **Change to forecast.** We keep unchanged our earnings forecast for now pending for the finalization of the proposed MGO by end of 3Q15. Nonetheless, FY15 and FY16 earnings are projected to increase by 25% and 9% y-o-y lifted by i) on-going earnings contribution from HUC jobs and ii) impressive tender book of RM800 million backed by solid order book of RM4.0 billion.
- **Valuation & recommendation.** We value Dayang at RM2.95 based on 10x PER (1- SD below 3-years average PER of 14x) and the stock remains a **BUY**. Re-rating catalyst may come from i) stronger-than-expected associates contribution from Perdana Petroleum ii) potential contract wins of between RM240 million-RM320 million based on fair success rate of 30%-40%.

Company Update - Dayang Enterprise Holdings Bhd

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
SapuraKencana	Jan	2.71	20	21	13.7	12.7	1.2	1.1	13	1	3.22	Buy
Wah Seong	Dec	1.32	14	15	9.2	8.6	0.8	0.8	12	4	1.38	Hold
Bumi Armada	Dec	1.26	8	10	15.7	11.7	1.0	1.0	4	2	1.28	Hold
Dialog Group	Jun	1.65	5	5	34.3	31.0	4.8	4.6	15	1	1.70	Hold
Alam Maritim	Dec	0.67	7	7	9.5	9.4	0.7	0.7	9	NA	0.72	Hold
MMHE	Dec	1.33	8	8	15.1	15.4	0.7	0.7	8	NA	1.33	Hold
PetDag	Dec	19.86	71	79	30.1	27.0	4.0	3.9	11	2	18.90	Sell
Dayang	Dec	2.63	24	28	10.8	9.3	2.4	2.1	22	3	2.95	Buy
UMW-OG	Dec	2.04	15	17	14.8	13.3	1.4	1.2	8	0.5	2.21	Hold
Perisai	Dec	0.52	6	9	10.0	5.9	0.6	0.5	1	NA	NR	NR
Perdana Petroleum	Dec	1.50	12	15	11.4	9.3	1.3	1.1	14	1	NR	NR
TH Heavy	Dec	0.29	3	4	12.1	9.0	0.8	0.7	(20)	NA	NR	NR
Petra Energy	Dec	1.50	15	16	9.3	9.0	0.8	0.8	7	1	NR	NR
Deleum	Dec	1.60	16	18	10.1	9.2	2.0	1.7	23	5	NR	NR
Uzma	Dec	2.42	21	23	11.3	10.0	1.6	1.2	19	2	NR	NR
KNM	Dec	0.64	7	8	8.9	7.8	0.5	0.4	2	NA	NR	NR
Average					14.1	12.4	1.5	1.4	9	2		

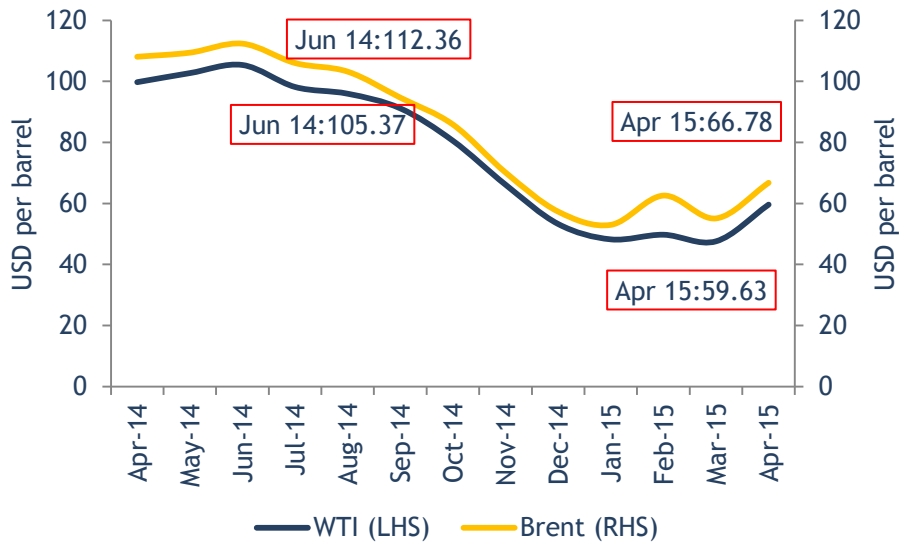
Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	401	563	877	1,103	1,158
EBIT	127	160	200	259	278
Net Interest	2	0.4	(4)	(4)	(5)
PBT	128	175	218	276	301
Net profit	101	149	179	223	243
EPS (sen)	18	18	21	25	28
Pre-tax margin	32%	31%	25%	25%	26%
Net profit margin	25%	26%	20%	20%	21%
PER (x)	12.9	19.9	13.3	10.4	9.5
P/BV (x)	2.2	3.2	2.6	2.5	2.1
DPS (sen)	10	10	7	9	10
Dividend yield	3%	3%	2%	3%	4%

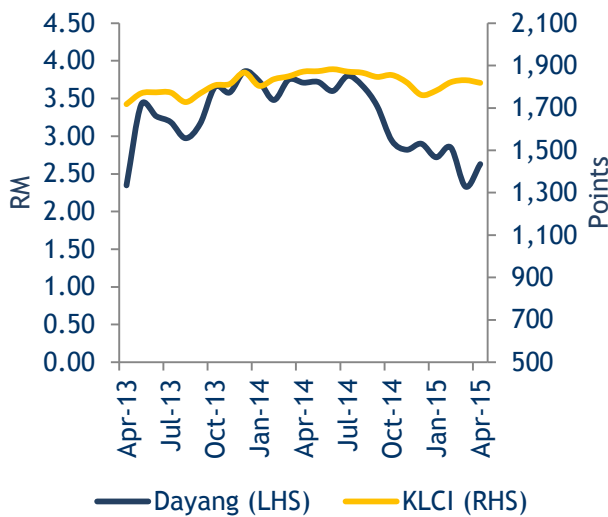
Source: Bursa Malaysia, M&A Securities

WTI vs. Brent Crude Oil Price
(April 2014-April 2015)

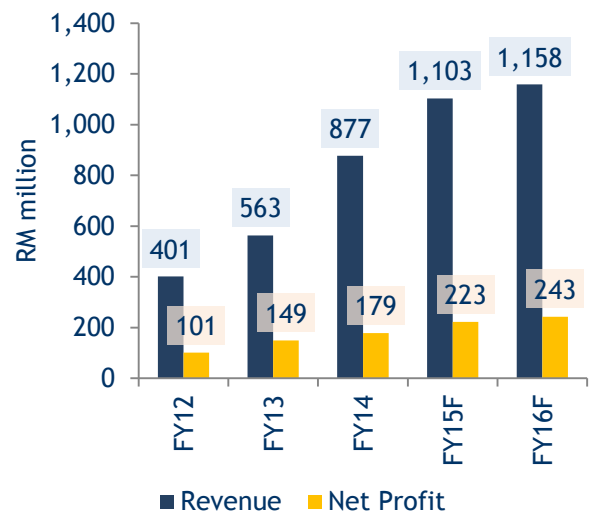


Source: Bloomberg

Dayang Share Price vs. KLCI
(April 2013-April 2015)



Revenue and Net Profit
(FY12-FY16F)



Source: Bloomberg, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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